

PATERSON ARTS AND SCIENCE CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2015

***PATERSON ARTS AND SCIENCE
CHARTER SCHOOL***

***Paterson Arts & Science Charter School
Board of Trustees
Elmwood Park, New Jersey***

***Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Prepared by

***Paterson Arts & Science Charter School
Finance Department***

And

Barre & Company, CPAs

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INTRODUCTORY SECTION

***PATERSON ARTS & SCIENCE CHARTER SCHOOL
465 BOULEVARD
ELMWOOD PARK, NEW JERSEY 07407***

December 9, 2015

Honorable President and
Members of the Board of Trustees
Paterson Arts & Science Charter School
County of Passaic
Elmwood Park, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Paterson Arts & Science Charter School (Charter) for the fiscal year ended June 30, 2015. This CAFR includes the Charter's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Paterson Arts & Science Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An appointed six member Board of Trustees (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Lead-Person is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The School Business Administrator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES: Paterson Arts & Science Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the school are included in this report. Paterson Arts & Science Charter School Board of Trustees constitutes the Charter School’s reporting entity.

Paterson Arts & Science Charter School provides a full range of educational services appropriate to Grades K-6. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2014-2015 school year with an enrollment of 415 students. The following details the student enrollment of the Charter School.

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2014-2015	396	18.94%
2013-2014	321	0.00%

2. **ECONOMIC CONDITION AND OUTLOOK:** Paterson Arts & Science Charter School continues to experience a period of development and expansion that is expected to continue through the Twenty-First Century. The increasing number of businesses within the community results in an increase in the employment level which results in an increased tax base, both residential and industrial. This expansion is expected to continue which suggests Paterson Arts & Science Charter School will continue to prosper.

3. **MAJOR INITIATIVES:** The Paterson Arts & Science Charter School Mission is to provide the ideal environment for the intellectual and social development for its students by utilizing a combined effort of students, educators, families, and the community as a whole.

Mission and Educational Program in Practice

Paterson Arts and Science Charter School aims to provide the ideal environment for the intellectual and social development of its students, utilizing the combined effort of students, educators, families, and the community as a whole, by providing boundless academic and co-curricular opportunities for individual skills and talents to develop. From the inception of the school, students have been provided a multitude of opportunities extended to them that have guided them on a path to success. Our mission and vision considers the educational goals that the New Jersey Department of Education has established for *all* students. This is evidenced in the four areas identified below, which are in direct correlation to the "Building Blocks of Education" outlined by Governor Christie.

1. ***Academic Achievement*** - concentration is placed on providing a multidimensional curriculum, research-based "best practices" instructional strategies, and student/program assessments. Literacy objectives within the CCSS **must be met** to better prepare students for PARCC assessments, college acceptance, and workforce readiness. Summary writing, analysis of rich and varied literature and non-fiction text, critical research skills, and opinions supported by text-based evidence are the cornerstone elements of the CCSS. In mathematics, lessons are aligned to the CCSS and the content prioritized and supported with online programs for student instruction and assignments. Teachers and students have access to rich, CCSS-aligned, engaging content, and embedded assessments with instant data.

2. ***Digital Learning Environment*** - concentration is placed on classroom organization, integration of technology, teacher development, and effective instructional programs. This allows the district to provide the most relevant, research-based educational experience to our students. The design of the program currently embraces technological literacy and integration, and in the absence of these resources, curricula cannot be delivered as designed. The rigors of the Common Core State Standards and the next-generation digital assessments require us to adjust both the method and mode of instruction to prepare our students for college and careers. We fully expect student assessment data to evidence student growth as a result, in part, of digital instruction.

3. **Co-curricular Programs** - concentration is placed on academic and non-academic programs that are designed to meet the needs of the **whole child** (academically, socially and emotionally). Paterson Arts and Science Charter School has a vibrant arts education model, which includes multiple performances including full-length theatrical productions, concerts, cultural dances and festivals. The school is often the host location for a variety of educational presentations, educational guest speakers, science fairs and Olympiads, and math competitions. Additionally, the district hosts a summer learning institute, whereby all instructional staff come together in the form of a professional learning community in order to explore best practices in education.

4. **Community Involvement** - concentration is placed on parent programs, community outreach, and fostering school, family and community collaboration/involvement. The students of Paterson ASCS are afforded the benefits of partnerships currently established with local universities, businesses, and community leaders. Paterson ASCS recognizes a school as an anchor in a community and believes the school is the anchor that the community needs. All children deserve the opportunity to be educated in a rich, nurturing environment that promotes inquiry-based learning and innovation in an equitable, culturally-sensitive environment.

CURRICULUM ALIGNMENT TO STANDARDS

In order to ensure that Paterson Arts and Science Charter School's curricula is aligned to state standards Paterson Arts and Science Charter School developed a high quality curriculum that is based on state standards. The curricula framework is well thought out and embodies the state standards and goals for which teachers and students are held accountable.

The standards-based curriculum governs the way that instructional programs are run and the way that teachers teach. The curricula framework considers the need for proper implementation of the state standards and therefore provides adequate time for implementation, monitoring, and evaluation of the standards.

At Paterson Arts and Science Charter School, the curricula is considered a living document which allows for ongoing critiquing and opportunities for reflection and revision so that the curriculum is updated and improved on a regular basis.

Specifically, Common Core State Standards for English Language Arts (ELA) and Literacy in History/Social Studies in grades kindergarten – 10th were adopted in August 2012. Most recently, kindergarten through 8th grade ELA and Literacy in History/Social Studies was revised during the summer of 2015.

Common Core State Standards for Mathematics was adopted in August, 2012 and most recently revised during the summer of 2015.

Science curricula for grades kindergarten to 12 were revised most recently during the summer of 2015.

Visual and Performing Arts was revised in June, 2009, Comprehensive Health and Physical Education was revised in June, 2011, Technology was adopted in 2007, 21st Century Life and Careers was revised in September, 2012, and World Languages was revised in June, 2009.

SCHOOL ENGAGEMENT OF FAMILIES / GUARDIANS

Paterson ASCS believes that family involvement is an integral component of our school culture. Our objective is to continue fostering close and positive relationships and constant communication between school, family, and community. From influential guests to the various holiday dinners, Paterson-ASCS has grown this year by expanding our family involvement into the community-at-large. Our Parent-Teacher Organization (PTO) is a committee that maintains a strong presence at the school, and they are a vital component of enriching the experience of students. They make the purchase of sports equipment, musical instruments, yearbooks and classroom materials a reality for our school district. Additionally, the PTO fundraises to defray the cost of field trips for the students. PTO leadership roles have been adjusted for the 2015-2016 school year in order to ensure a successful pairing of families with the school community as a whole.

In the 2014-2015 Academic Year, Paterson ASCS reached out to both families and the community-at-large with myriad programs and activities to enhance the experience of the students and school community as a whole. Parents are not only invited to attend, but asked to contribute to the planning and implementation programs and offerings. Paterson ASCS cultivates and maintains steady school/family interaction through an array of activities. A selection of programs and events is provided below:

- ORIENTATION FOR STUDENTS AND PARENTS
- BACK-TO-SCHOOL NIGHT
- HISPANIC HERITAGE CELEBRATION
- WEEKLY PARENT/TEACHER/ADMINISTRATOR BREAKFAST
- GRANDPARENT'S NIGHT
- SECOND ANNUAL PTO PARENT PICNIC
- HALLOWEEN COSTUME PARADE/CONTEST/TRUNK-OR-TREAT
- PARENT/TEACHER CONFERENCES
- VETERAN'S DAY REMEMBRANCE
- QUARTERLY AWARDS CEREMONIES
- HOLIDAY DINNER/COMMUNITY FOOD DRIVE
- SPRING AND WINTER CONCERTS/THEATRE PROGRAM/ART FAIR
- 2nd ANNUAL MUFFINS WITH MOMS/DONUTS WITH DADS
- QUALITY IN EDUCATION SUMMIT
- SCHOOL CHOICE WEEK
- DISTRICT SCIENCE FAIR
- FAMILY SCIENCE NIGHT
- LANGUAGE AND CULTURE FESTIVAL
- GARDEN STATE INTERNATIONAL HERITAGE FESTIVAL
- RADIO CITY CHRISTMAS SPECTACULAR TRIP
- HOLIDAY TOY DRIVE
- MOVIE NIGHTS
- PASTA NIGHT/TRICKY TRAY

SCHOOL PARTNERSHIPS

Partnering organization	Description of the partnership
EDUCATIONAL INSTITUTIONS:	
Fairleigh Dickinson University	This partnership enabled students to take an AP course in English taught by one of our HS teachers. http://ilearnschools.org/about-us.html
Jefferson Awards	This partnership enabled students to participate in Jefferson Awards Students in Action program. http://ilearnschools.org/about-us.html
Grand Canyon University	The purpose of this non-exclusive Agreement is to establish the terms and conditions under which students of Grand Canyon University may participate in Student Teaching Internships, Practicum and Observations at the schools located in the District http://ilearnschools.org/about-us.html
Rutgers University	http://ilearnschools.org/about-us.html (see link for a more detailed description)
NJIT	http://ilearnschools.org/about-us.html (see link for a more detailed description)
College of Saint Elizabeth	This partnership provided eligible employees the opportunity to pursue undergraduate and graduate degrees, certificates and professional continuing education course through the college. http://ilearnschools.org/about-us.html

COMMUNITY INVOLVEMENT:	
Quality In Education Summit Panel Discussion	<p>The panel discussions serve as a platform to raise awareness of, and highlight, the positive role of charter schools in New Jersey and the need for further support and development. These forums will continue to address macro issues confronting public education in the 21st Century.</p> <p>Panelists were: 1)Heather Tedesco, New Jersey Regional Director for Jefferson Awards Students in Action 2)Assemblyman Benjie Wimberly, Legislative District #35 3) Allison Scott-Williams, NJPAC Arts Director.</p> <p>Approximately 200 parents and community members attended this event which took place at our Paterson Arts and Science Charter School.</p> <p>This year's topic was ATHLETICS, ARTS, AND MUSIC: THREE ELEMENTS NECESSARY FOR A COMPLETE PUBLIC</p>
VIP Visitor Program	<p>Community leaders (VIP Guest) were invited to give inspirational speeches to students regarding leadership and core values. (VIP Invitations were extended to but not limited to: Mayors, Freeholders, Assemblymen and women, Prosecutors, Police chiefs, Senators, CEOs, NJ DOE Staff, NJ Charter School Assn. Staff</p> <p>VIP guests were scheduled monthly. Fifth through ninth grade students, family members attended VIP Ceremonies. In most cases, VIP guests made connections with students that would afford them (students) opportunities to visit establishments and facilities that would enhance their knowledge of government/judicial systems and servant leadership.</p>
Community Outreach Activities	Determined by grade and/or department Teachers planned outreach activities and/or projects for the classes
Garden State International Heritage Festival	<p>The Garden State International Heritage Festival is the blending of the multidisciplinary content areas to recognize and celebrate diversity in the classroom throughout the year. Students, families, elected officials and community members.</p> <p>The GSIHF has been a project of the NJASCS organization for the last 4 years. The festival enables students, participants and visitors to experience a wide range of activities: performances, art displays, to sampling from a wide array of food from other vendors.</p>

4. INTERNAL ACCOUNTING CONTROLS: Management of the Board of Trustees is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Charter School is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2015.

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statement" Note 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposits with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds.

8. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, CPA's, was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, "*Audits of State, Local Governments and Non-Profits Organizations*" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report. OMB Circular A-133, "*Audits of State, Local Governments and Non-Profits Organizations*" and New Jersey Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The auditor's report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

9. ANTI-BULLYING: On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act ("Act") requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. In 2015-2014, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

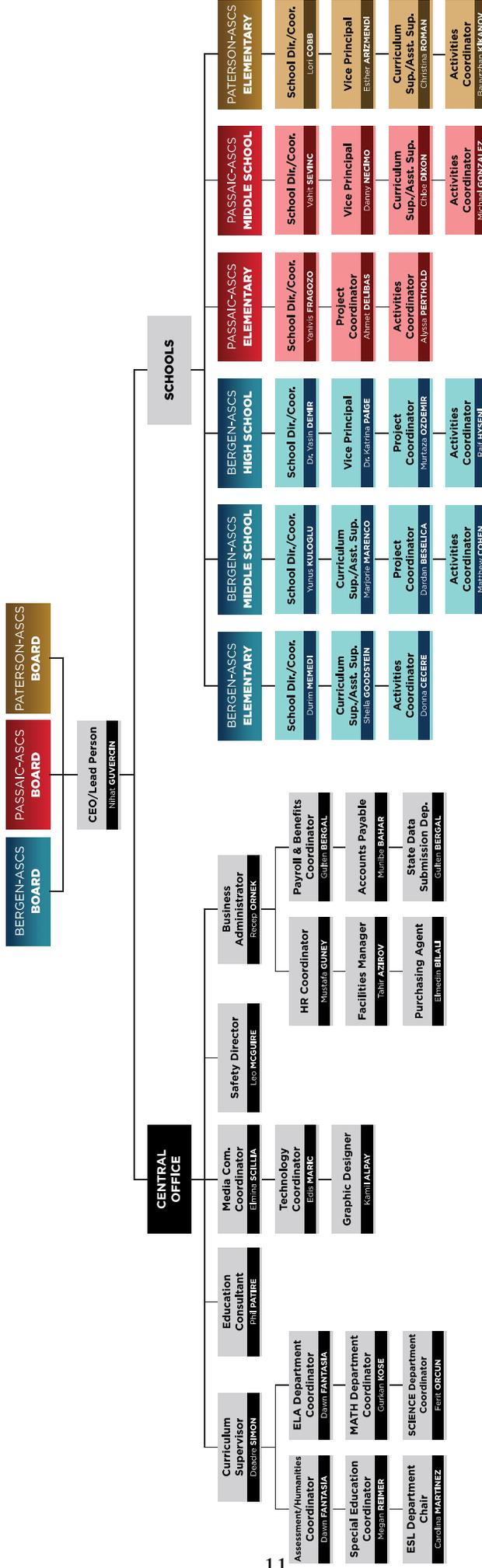
10. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Paterson Arts & Science Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,



Recep Ornek
School Business Administrator/Board Secretary

NORTH JERSEY ARTS AND SCIENCE CHARTER SCHOOLS (NJASCS) ORGANIZATIONAL CHART



**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2015**

Members of the Board of Trustees

Position

Murat Teke	Trustee - President
Perno Young	Trustee
Ismail Oral	Trustee
Tulay Demirel	Trustee
Arzu Kaya Uranli	Trustee
Nilda Pardo	Trustee

Other Officials

Nihat Guvercin	Lead Person
Recep Ornek	Business Administrator/ Board Secretary
Christopher Lessard	Treasurer

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue, Suite 206
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Attorney

Mark Rattner
Riker Danzig Scherer Hyland Perretti LLP
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Morristown, NJ 07962

Official Depository

Santander
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Lodi, NJ 07644

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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(908) 686-3484

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Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Paterson Arts & Science Charter School
465 Boulevard
County of Passaic
Elmwood Park, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Arts & Science Charter School (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Charter School's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Arts & Science Charter School, in the County of Passaic, State of New Jersey, as of June 30, 2015, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 19 and 74 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual

fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey*

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated December 9, 2015 on our consideration of the Paterson Arts & Science Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and *the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

December 9, 2015

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

The discussion and analysis of Paterson Arts & Science Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2015 are as follows:

- ❖ General revenues accounted for \$5,981,128 in revenue or 100% percent of all revenues.
- ❖ The Charter School had \$5,968,603 in expenses; none of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,981,128 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$5,651,866 in revenues and \$5,632,540 in expenditures. The General Fund's fund balance increased \$19,326 over 2014. This increase was anticipated by the Board of Trustees.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Paterson Arts & Science Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Paterson Arts & Science Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

Statement of Net Position and the Statement of Activities (Continued)

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ **Governmental Activities** — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ **Business-Type Activities** — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transaction. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 41 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Position* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined net position were \$265,776 for 2015 and \$223,982 for 2014.

Governmental Activities

The Charter School's total revenues were \$5,981,128 for 2015 and \$4,373,041 for 2014, this includes \$108,565 for 2015 and \$72,808 for 2014 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$5,968,603 for 2015 and \$4,184,018 for 2014. Instruction comprises 41% for 2015 and \$1,935,847 for 2014 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

Governmental Activities (Continued)

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

Business-Type Activities

Revenues for the Charter School's business-type activities (food service program, school store and aftercare program) were comprised of charges for services and federal and state reimbursements.

- ❖ Proprietary Fund operating revenues exceeded operating expenses by \$29,269 for 2015 and by \$34,959 for 2014.
- ❖ Charges for services represent \$63,351 for 2015 and \$91,056 for 2014. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$221,417 for 2015 and \$85,242 for 2014.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$5,981,128 for 2015 and \$4,373,041 for 2014 and expenditures were \$5,961,802 for 2015 and \$4,184,018 for 2014. The net change in fund balance for fiscal years 2015 and 2014 was most significant in the general fund, an increase of \$12,525 in 2015 and an increase of \$189,023 in 2014.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2015.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2014	Percent of Increase/ (Decrease)
Local Sources	\$ 641,709	10.73%	\$ 174,783	37.43%
State Sources	5,010,157	83.77%	1,263,436	33.72%
Federal Sources	329,262	5.50%	165,895	101.55%
Total	\$ 5,981,128	100.00%	\$ 1,604,114	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2015.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2014	Percent of Increase/ (Decrease)
Instruction	\$ 2,291,167	38.43%	\$ 538,339	30.71%
Administration	1,546,796	25.95%	376,991	32.23%
Support Services	2,103,839	35.29%	996,221	89.94%
Capital Outlay	20,000	0.33%	(174,859)	-89.74%
Total	\$ 5,961,802	100.00%	\$ 1,736,692	

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
ELMWOOD PARK, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

- Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

Capital Assets (Net of Depreciation)

At the end of the fiscal year 2015, the Charter School had \$30,318 invested in machinery and equipment.

For the Future

The Paterson Arts & Science Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Paterson Arts & Science Charter School has committed itself to financial stability for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Nihat Guvercin, CEO/Lead Person at Paterson Arts & Science Charter School, 465 Boulevard, Elmwood Park, New Jersey 07407.

SECTION A - BASIC FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

PATERSON ARTS & SCIENCE CHARTER SCHOOL

Statement of Net Position

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 247,897	\$ 3,958	\$ 251,855
Internal Balances	91,902	15,858	107,760
Receivables	145,999	34,747	180,746
Prepaid Expenses	64,826		64,826
Capital Assets, Net	30,318	9,665	39,983
	<u>580,942</u>	<u>64,228</u>	<u>645,170</u>
LIABILITIES:			
Interfund Payable	92,429		92,429
Accounts Payable	286,965		286,965
	<u>379,394</u>	<u>-</u>	<u>379,394</u>
NET POSITION:			
Net Investment in Capital Assets	30,318		30,318
Unassigned	171,230	64,228	235,458
	<u>\$ 201,548</u>	<u>\$ 64,228</u>	<u>\$ 265,776</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PATERSON ARTS & SCIENCE CHARTER SCHOOL

Statement of Activities

For The Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 2,088,605	\$ 338,261	\$ -	\$ -	\$ -	\$ (2,426,866)	\$ -	\$ (2,426,866)
Administration	1,397,310	68,032				(1,465,342)		(1,465,342)
Support Services	1,995,274	63,600				(2,058,874)		(2,058,874)
Capital Outlay	17,521					(17,521)		(17,521)
Total Governmental Activities	5,498,710	469,893	-	-	-	(5,968,603)	-	(5,968,603)
BUSINESS-TYPE ACTIVITIES:								
Food Service	255,499		63,351	221,417	-	-	29,269	29,269
Total Business-Type Activities	255,499		63,351	221,417	-	-	29,269	29,269
Total Primary Government	\$ 5,754,209		\$ 63,351	\$ 221,417	\$ -	\$ (5,968,603)	\$ 29,269	\$ (5,939,334)
GENERAL REVENUES								
Federal and State Aid Not Restricted			\$	\$ 5,339,419	\$	\$	\$ -	\$ 5,339,419
Tuition				600				600
Miscellaneous Income				641,109				641,109
Total General Revenues				5,981,128				5,981,128
Change in Net Position				12,525			29,269	41,794
Net Position - Beginning				189,023			34,959	223,982
Net Position - Ending				201,548			64,228	265,776

SECTION B – FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

PATERSON ARTS & SCIENCE CHARTER SCHOOL

Governmental Funds

Balance Sheet

June 30, 2015

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 172,897	\$ -	\$ 172,897
Restricted	75,000		75,000
Receivables:			
Interfund Receivables	91,902		91,902
Receivables From Other Governments	18,407	114,019	132,426
Other Receivables	7,910		7,910
Receivables, Net	5,663		5,663
Security Deposits	64,826		64,826
Total Assets	<u>\$ 436,605</u>	<u>\$ 114,019</u>	<u>\$ 550,624</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 92,429	\$ 92,429
Accounts Payable	265,375	21,590	286,965
Total Liabilities	<u>265,375</u>	<u>114,019</u>	<u>379,394</u>
Fund Balances:			
Assigned To:			
Encumbrances	9,565		9,565
Unassigned:			
General Fund	161,665		161,665
Total Fund Balances	<u>171,230</u>	<u>-</u>	<u>171,230</u>
Total Liabilities and Fund Balances	<u>\$ 436,605</u>	<u>\$ 114,019</u>	

Amounts reported for *governmental activities* in the statement of net position (A-1) which are different:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$47,022 and the accumulated depreciation is \$16,704.

Net Position of Governmental Activities

<u>30,318</u>
<u>\$ 201,548</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 634,639	\$ -	\$ 634,639
Tuition	600		600
Miscellaneous	6,470		6,470
Total Local Sources	641,709		641,709
State Sources	5,010,157		5,010,157
Federal Sources		329,262	329,262
Total Revenues	5,651,866	329,262	5,981,128
EXPENDITURES:			
Current:			
Instruction	2,079,325	211,842	2,291,167
Administration	1,546,796		1,546,796
Support Services	2,006,419	97,420	2,103,839
Capital Outlay		20,000	20,000
Total Expenditures	5,632,540	329,262	5,961,802
NET CHANGE IN FUND BALANCES	19,326		19,326
FUND BALANCES, JULY 1	151,904		151,904
FUND BALANCES, JUNE 30	\$ 171,230	\$ -	\$ 171,230

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental fund (from B-2)	\$	19,326
Amounts reported for governmental activities in the statement of activities (A-2) which are different:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$	(9,280)
Capital Outlay		<u>2,479</u>
		<u>(6,801)</u>
Change in net position of governmental activities	\$	<u>12,525</u>

The accompanying Notes to Basic Financial Statements are integral part of this statement.

PROPRIETARY FUNDS

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Proprietary Fund
 Statement of Fund Net Position
 June 30, 2015

	Business-Type Activities - Enterprise Fund			
	Food Service	Summer Enrichment	After Care	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 3,685	\$ 273	\$ -	\$ 3,958
Due From Other Funds	15,858			15,858
Intergovernmental Accounts Receivable:				
Federal	34,206			34,206
State	541			541
Total Current Assets	54,290	273	-	54,563
Noncurrent Assets:				
Machinery and Equipment	15,260			15,260
Less Accumulated Depreciation	(5,595)			(5,595)
Total Noncurrent Assets	9,665	-	-	9,665
Total Assets	\$ 63,955	\$ 273	\$ -	\$ 64,228
LIABILITIES AND NET POSITION				
Net Position:				
Unassigned	\$ 63,955	\$ 273	\$ -	\$ 64,228
Total Net Position	63,955	273	-	64,228
Total Liabilities and Net Position	\$ 63,955	\$ 273	\$ -	\$ 64,228

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Fund			Total
	Food Service	Summer Enrichment	After Care	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 19,453	\$ -	\$ -	\$ 19,453
Daily Sales Non-reimbursable Program			43,898	43,898
Total Operating Revenues	19,453	-	43,898	63,351
OPERATING EXPENSES:				
Salaries	79,374		52,577	131,951
Management Fees	8,500			8,500
Supplies and Materials	10,853			10,853
Depreciation Expense	3,052			3,052
Cost of Sales	101,143			101,143
Total Operating Expenses	202,922	-	52,577	255,499
OPERATING INCOME (LOSS)	(183,469)	-	(8,679)	(192,148)
NONOPERATING REVENUES:				
State Source:				
State School Breakfast/Lunch Program	3,156			3,156
Federal Source:				
National School Breakfast/Lunch/Snack Program	218,261			218,261
Total Nonoperating Revenues	221,417	-	-	221,417
CHANGE IN NET POSITION	37,948	-	(8,679)	29,269
TOTAL NET POSITION, JULY 1	26,007	273	8,679	34,959
TOTAL NET POSITION, JUNE 30	\$ 63,955	\$ 273	\$ -	\$ 64,228

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Fund			Total
	Food Service	Summer Enrichment	After Care	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 15,392	\$ -	\$ 43,898	\$ 59,290
Cash Payments to Suppliers and Employees	(229,485)		(56,597)	(286,082)
Net Cash Used In Operating Activities	(214,093)	-	(12,699)	(226,792)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements	221,417			221,417
Net Cash Provided By Noncapital Financing Activities	221,417	-	-	221,417
Net Increase (Decrease) In Cash And Cash Equivalents	7,324	-	(12,699)	(5,375)
Cash And Cash Equivalents, Beginning Of Year	(3,639)	273	12,699	9,333
Cash And Cash Equivalents, End Of Year	<u>\$ 3,685</u>	<u>\$ 273</u>	<u>\$ -</u>	<u>\$ 3,958</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Profit (Loss) Used for Operating Activities	\$ (183,469)	\$ -	\$ (8,679)	\$ (192,148)
Depreciation	3,052			3,052
Change In Assets And Liabilities:				
Increase (Decrease) In Due From Other Funds	(15,858)			(15,858)
Increase (Decrease) In Receivables From Other Governments	(4,061)			(4,061)
Increase (Decrease) In Interfund Payable	(13,757)		(4,020)	(17,777)
Net Cash Used In Operating Activities	<u>\$ (214,093)</u>	<u>\$ -</u>	<u>\$ (12,699)</u>	<u>\$ (226,792)</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2015

	Agency Fund
ASSETS:	
Cash and Cash Equivalents	\$ 15,331
Due from Student Activities	<u>228</u>
Total Assets	<u><u>\$ 15,559</u></u>
LIABILITIES:	
Interfund Accounts Payable	<u>\$ 15,559</u>
Total Liabilities	<u><u>\$ 15,559</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For Fiscal Years Ended June 30, 2015

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Paterson Arts & Science Charter School have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

B. Reporting Entity

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (continued)

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Paterson Arts & Science Charter School includes one school a Grade K-5. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements – Government-Wide Statements

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the Charter School, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Basic Financial Statements – Government-Wide Statements
(Continued)**

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Charter School.

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

General Fund – The general fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements – Fund Financial Statements
(Continued)

General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, charter school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type - The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounted principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Basic Financial Statements – Fund Financial Statements
(Continued)**

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income.

The Charter School's Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

In its accounting and financial reporting, the Charter School follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements – Fund Financial Statements
(Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation and Agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements – Fund Financial Statements (Continued)

cannot be sued to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey. The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds): The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets/Budgetary Control

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)		\$ 329,262
Adjustments:		
Less Encumbrances at June 30, 2015		-
Plus Encumbrances at June 30, 2014		-
Total Revenues and Expenditures (GAAP Basis)		\$ 329,262

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets/Budgetary Control (Continued)

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity –

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey charter schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey charter schools.

Additionally, the Charter School had adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

2. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represents amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Charter School has included all infrastructure assets in the current fiscal year.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

5. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Net Position/Fund Balance

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

In the Government-Wide Statements, there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (Continued)

Restricted Net Position – reports net position when constraints placed on the residual amount of noncapital assets are either imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – any portion of net position not already classified as either net investment in capital assets or net position-restricted.

H. Fund Balance Reserves

In the fund financial statements, governmental funds report the following classifications of fund balance:

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

I. Recent Accounting Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The statement which is effective for periods beginning after December 15, 2011, amends and supersedes several previously issued GASB statements to incorporate guidance that had been included in AICPA and FASB guidance. The Charter School has adopted this statement for the year ended June 30, 2015.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Recent Accounting Pronouncements (Continued)

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement, which is effective for periods beginning after December 15, 2011, amends several previously issued GASB statements to standardize reporting of deferred inflows and outflows of financial resources. The Charter School has amended its financial reporting to comply with this statement for the year ended June 30, 2015.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement which is effective for periods beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Charter School has adopted this statement for the year ended June 30, 2015.

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 66, "Technical Corrections – 2012, an Amendment of GASB Statements 10 & 62." This statement which is effective for periods beginning December 15, 2012, purpose is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Charter School is in the process of reviewing its obligations under GASB 66, and its potential impact on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, "Financial Reporting for Pension Plans, an Amendment of GASB 25." This statement will be effective for periods beginning with the year ending June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Recent Accounting Pronouncements (Continued)

Disclosures for Defined Contribution Plans, and No. 50, "Pension Disclosures." The Charter School is in the process of reviewing its obligations under GASB 67, and its potential impact on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions." This statement will be effective for periods beginning with the year ending June 25, 2014. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", as well as the requirements of Statement No. 50, "Pension Disclosures." This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Charter School is in the process of reviewing its obligations under GASB 67, and its potential impact on the financial statements.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Deposits and Investments (Continued)

Deposits (Continued)

agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

As of June 30, 2015, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Funds	Fiduciary Funds	Total
Operating Account	\$ 247,897	\$ -	\$ 3,958	\$ 15,331	\$ 267,186

The Charter School had no investments at June 30, 2015.

The carrying amount of the Board's cash and cash equivalents at June 30, 2015 was \$267,186 and the bank balance was \$562,093. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the Charter School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)

Deposits and Investments (Continued)

Deposits (Continued)

(securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

As of June 30, 2015, none of the cash and cash equivalents for Paterson Arts & Science Charter School were exposed to custodial credit risk.

The Charter School does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA.

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
 - (2) Government money market mutual funds;
 - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest no dependent on any index or other external factor;
 - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
 - (6) Local government investment pools;

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)

Deposits and Investments (Continued)

Investments (Continued)

- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or
- (8) Agreements for the repurchase of fully collateralized securities, if:
- a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2015.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2015.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2015.

Receivables

Receivables at June 30, 2015, consisted of accounts, intergovernmental, grants, and miscellaneous.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Deposits and Investments (Continued)

Investments (Continued)

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 119,682	\$ 120,223
Federal Aid	-	34,206
Other	26,317	26,317
Gross Receivables	145,999	180,746
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 145,999</u>	<u>\$ 180,746</u>

A. Interfund Receivables and Payables

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 91,902	\$ -
Special Revenue Fund		92,429
Proprietary Fund	15,858	
Fiduciary Fund		15,559
Total	<u>\$ 107,760</u>	<u>\$ 107,988</u>

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE II: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Deposits and Investments (Continued)

Investments (Continued)

B. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Machinery and Equipment	\$ 44,543	\$ 2,479	\$ -	\$ 47,022
Total Capital Assets Being Depreciated	<u>44,543</u>	<u>2,479</u>	<u>-</u>	<u>47,022</u>
Less Accumulated Depreciation For:				
Machinery and Equipment	7,424	9,280		16,704
Total Accumulated Depreciation	<u>7,424</u>	<u>9,280</u>	<u>-</u>	<u>16,704</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>37,119</u>	<u>(6,801)</u>	<u>-</u>	<u>30,318</u>
Government Activity Capital Assets, Net	<u>\$ 37,119</u>	<u>\$ (6,801)</u>	<u>\$ -</u>	<u>\$ 30,318</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully

C. Capital Assets (Continued)

where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE III: DETAILED DISCLOSURES REGARDING LIABILITIES AND EXPENSES/
EXPENDITURES**

Rental Lease

The Charter School entered into a sublease agreement for classroom and office space located at 764 Eleventh Avenue, Paterson, New Jersey for one (1) year beginning August 1, 2014 and ending June 30, 2015. Sublease payments for one (1) year is \$120,166.67 per month, payable in advance on the first day of each month.

NOTE IV: PENSION PLANS

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and required contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$0 for fiscal year 2015.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased on over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Charter School reported a liability of \$0 for its proportionate share of the net pension liability.

For the fiscal year ended June 30, 2014, the Charter School recognized no pension expense. At June 30, 2014, the Charter School reported deferred outflows of resources and deferred related to pensions from the following sources.

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuations as of July 1, 2013. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgage	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and June 30, 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and June 30, 2013, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after that date in determining the total pension liability.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefit Provided

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE IV: PENSION PLANS (CONTINUED)

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014 and 2013, the State's pension contribution was less than the actuarially determined amount.

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School.

This note discloses the portion of the Charter School total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2015, the State of New Jersey contributed \$0 to the TPAF for normal pension benefits on behalf of the Charter School.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As June 30, 2015, the State's proportionate share of the net pension liability associated with the Charter School was \$0 .

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the Charter School in the amount of \$0 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2013. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 200 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Long Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and June 30, 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and June 30, 2013, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on applied to projected benefit payments after that date in determining the total pension liability.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE IV: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position – TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the CS / District recognized pension expense of \$0 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$0 for the fiscal year ended June 30, 2015.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE V: POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The school contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at:

www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE VI: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Charter School is a member of the New Jersey School Boards Association Insurance Group, Educational Risk and Insurance Consortium (the Consortium). The Consortium is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation, employees' liability, automobile and equipment liability, general liability and boiler and machinery insurance coverage for member school districts in order to keep local property taxes at a minimum. The Charter School pays an annual assessment to the Consortium and should it be determined that payments received by the Consortium are deficient, additional assessments may be levied. Additionally, the Consortium maintains a contract of excess insurance with a commercial reinsurer to secure the payment of benefits.

The Charter School continues to carry commercial insurance coverage for all other risks of loss, including health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2014-2015	\$ -	\$ -	\$ -	\$ -
2013-2014	-	100	100	-

NOTE VII: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

Of the \$171,230 General Fund balance at June 30, 2015, \$9,565 is assigned to encumbrances and \$161,665 is unassigned.

**PATERSON ARTS & SCIENCE CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE VIII: SUBSEQUENT EVENTS

The Paterson Arts & Science Charter School's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

NOTE IX: COST SHARING AGREEMENT

On July 19, 2013, Paterson Arts & Science Charter School and Passaic Arts and Science Charter School located at 10 St. Francis Way in Passaic, New Jersey, entered into a two (2) year cost sharing agreement. Paterson Arts & Science Charter School agrees to provide space, utilities and administrative services to Passaic Arts and Science Charter School in exchange for Passaic Arts and Science Charter School reimbursing Paterson Arts & Science Charter School for the cost of these services.

NOTE X: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Charter School implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014.

Net Position at June 30, 2014	\$	189,023
Adjustments:		
Net Pension Liability		(1,183,048)
Deferred Outflow - Payments Subsequent to Measurement Date		-
Total Adjustments		(1,183,048)
Restated Net Position June 30, 2014	\$	(994,025)

Other than employer contributions subsequent to the measurement date, the Charter School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 515,757	\$ 117,468	\$ 633,225	\$ 634,639	\$ 1,414
Total Local Levy Budget	515,757	117,468	633,225	634,639	1,414
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	4,066,085	588,359	4,654,444	4,647,537	(6,907)
Special Education Aid	98,790	(20,193)	78,597	75,525	(3,072)
Security Aid	(154,063)	25,665	(128,398)	178,530	306,928
Total Categorical Aid	4,010,812	593,831	4,604,643	4,901,592	296,949
Revenues From Other Sources:					
Tuition				600	600
Donations and Contributions				1,200	1,200
Miscellaneous Revenue				5,270	5,270
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				108,565	108,565
Total Revenues From Other Sources	-	-	-	115,635	115,635
Total Revenues	4,526,569	711,299	5,237,868	5,651,866	413,998
EXPENDITURES:					
Instruction:					
Salaries of Teachers	1,280,135	332,086	1,612,221	1,564,624	47,597
Other Salaries for Instruction	171,734	15,022	186,756	186,756	-
Purchased Prof/Tech Services	21,500	3,556	25,056	25,056	-
Other Purchased Services	23,184	24,256	47,440	47,440	-
General Supplies	351,500	(190,091)	161,409	160,055	1,354
Textbooks	20,000	9,282	29,282	27,851	1,431
Miscellaneous	28,000	41,336	69,336	67,543	1,793
Total Instruction	1,896,053	235,447	2,131,500	2,079,325	52,175
Administration:					
Salaries - General Administration	400,316	(103,366)	296,950	296,950	-
Salaries of Secretarial/Clerical Assistants	109,722	(54,430)	55,292	55,291	1
Total Benefits Cost	437,632	(52,575)	385,057	361,327	23,730
Purchases Prof/Tech Services	620,456	182,832	803,288	792,764	10,524
Communications/Telephone	23,000	2,514	25,514	24,836	678
Travel	2,000	(1,138)	862	230	632
Supplies and Materials	32,865	(26,500)	6,365	6,277	88
Miscellaneous Expenses	8,650	2,500	11,150	9,121	2,029
Total Administration	1,634,641	(50,163)	1,584,478	1,546,796	37,682

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 451,106	\$ (120,638)	\$ 330,468	\$ 329,295	\$ 1,173
Purchased Prof/Ed Services	68,700	22,919	91,619	82,986	8,633
Purchased Prof/Tech Services	5,360	3,999	9,359	6,000	3,359
Maintenance Services	78,400	30,703	109,103	91,921	17,182
Rental of Land and Buildings	476,000	710,583	1,186,583	1,186,583	-
Transportation-Other Than To/From School	10,000	22,000	32,000	31,027	973
Insurance for Property, Liability and Fidelity	24,932	3,340	28,272	28,272	-
Supplies and Materials	62,000	(20,645)	41,355	34,532	6,823
Energy Costs (Heat and Electricity)	55,560	50,996	106,556	105,915	641
Travel	1,000	500	1,500	1,323	177
Miscellaneous Expenses	1,000	1,305	2,305		2,305
Total Support Services	1,234,058	705,062	1,939,120	1,897,854	41,266
Capital Outlay:					
Miscellaneous Expenses	27,143	(27,143)			-
Total Capital Outlay	27,143	(27,143)	-	-	-
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				108,565	(108,565)
Total Expenditures	4,791,895	863,203	5,655,098	5,632,540	22,558
Excess (Deficiency) of Revenues Over (Under) Expenditures	(265,326)	(151,904)	(417,230)	19,326	436,556
FUND BALANCE, JULY 1	151,904		151,904	151,904	-
FUND BALANCE, JUNE 30	\$ (113,422)	\$ (151,904)	\$ (265,326)	\$ 171,230	\$ 436,556
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ (113,422)	\$ (151,904)	\$ (265,326)	\$ 171,230	\$ 436,556
Total	\$ (113,422)	\$ (151,904)	\$ (265,326)	\$ 171,230	\$ 436,556

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 547,771	\$ -	\$ 547,771	\$ 329,262	\$ (218,509)
Total Revenues	<u>547,771</u>	<u>-</u>	<u>547,771</u>	<u>329,262</u>	<u>(218,509)</u>
EXPENDITURES:					
Instruction:					
Salaries	157,145		157,145	123,990	33,155
General Supplies	189,898		189,898	87,852	102,046
Total Instruction	<u>347,043</u>	<u>-</u>	<u>347,043</u>	<u>211,842</u>	<u>135,201</u>
Support Services:					
Personal Services - Employee Benefits	34,152		34,152	34,152	-
Purchased Technical Services	64,302		64,302	63,268	1,034
Total Support Services	<u>98,454</u>	<u>-</u>	<u>98,454</u>	<u>97,420</u>	<u>1,034</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	102,274		102,274	20,000	82,274
Total Facilities Acquisition and Construction Services	<u>102,274</u>	<u>-</u>	<u>102,274</u>	<u>20,000</u>	<u>82,274</u>
Total Expenditures	<u>547,771</u>	<u>-</u>	<u>547,771</u>	<u>329,262</u>	<u>218,509</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

PATERSON ARTS & SCIENCE CHARTER SCHOOL

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2015

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 5,651,866	[C-2] \$ 329,262
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	_____	_____
Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>5,651,866</u>	[B-2] \$ <u>329,262</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 5,632,540	[C-2] \$ 329,262
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>5,632,540</u>	[B-2] \$ <u>329,262</u>

OTHER SUPPLEMENTAL INFORMATION

SECTION E – SPECIAL REVENUE FUND

The Special Revenue Fund is used to account for the proceeds of specific sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

PATERSON ARTS AND SCIENCE CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2015

E-1

	NCLB Title I	NCLB Title I Carryover	I.D.E.A. Part B	Grand Total
REVENUE SOURCES:				
Federal	\$ 259,598	\$ 7,330	\$ 62,334	\$ 329,262
Total Revenues	<u>259,598</u>	<u>7,330</u>	<u>62,334</u>	<u>329,262</u>
EXPENDITURES:				
Instruction:				
Salaries	90,390	6,600	27,000	123,990
General Supplies	87,852	-	-	87,852
Total Instruction	<u>178,242</u>	<u>6,600</u>	<u>27,000</u>	<u>211,842</u>
Support Services:				
Salaries	-	-	-	-
Personal Services - Employee Benefits	31,356	730	2,066	34,152
Other Purchased Prof/Tech Services	30,000	-	33,268	63,268
Total Support Services	<u>61,356</u>	<u>730</u>	<u>35,334</u>	<u>97,420</u>
Facilities Acquisition and Construction Services:				
Instructional Equipment	20,000	-	-	20,000
Total Facilities Acquisition and Construction Services	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total Expenditures	<u>259,598</u>	<u>7,330</u>	<u>62,334</u>	<u>329,262</u>
Total Outflows	<u>259,598</u>	<u>7,330</u>	<u>62,334</u>	<u>329,262</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SECTION G – PROPRIETARY FUNDS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – The fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND B-6.

SECTION H – FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deduction from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – this agency fund is used to account for payroll transactions of the school district.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2015

	Agency			Total
	Payroll Agency	Net Payroll	Student Activities	Agency Fund
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 10,929	\$ 3,996	\$ 406	\$ 15,331
Due from Student Activities			228	228
Total Current Assets	<u>\$ 10,929</u>	<u>\$ 3,996</u>	<u>\$ 634</u>	<u>\$ 15,559</u>
LIABILITIES				
Liabilities:				
Interfund Accounts Payable	\$ 10,929	\$ 3,996	\$ 634	\$ 15,559
Total Liabilities	<u>\$ 10,929</u>	<u>\$ 3,996</u>	<u>\$ 634</u>	<u>\$ 15,559</u>

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2015

NOT APPLICABLE

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS:				
Cash and Cash Equivalents	\$ 16	\$ 9,177	\$ 8,787	\$ 406
Due from Student Activities	618	(9,177)	(8,787)	228
Total Assets	<u>\$ 634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 634	-	-	\$ 634
Total Liabilities	<u>\$ 634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634</u>

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS:				
Cash and Cash Equivalents	\$ -	\$ 1,090,453	\$ 1,079,524	\$ 10,929
Interfund Accounts Receivable	10,102		10,102	-
Total Assets	\$ 10,102	\$ 1,090,453	\$ 1,089,626	\$ 10,929
LIABILITIES:				
Interfund Accounts Payable	\$ -	\$ 10,929	\$ -	\$ 10,929
Payroll Deductions and Withholdings	10,102	1,079,524	1,089,626	-
Total Liabilities	\$ 10,102	\$ 1,090,453	\$ 1,089,626	\$ 10,929

**STATISTICAL SECTION
(UNAUDITED)**

Paterson Arts & Science Charter School has been in operation for two (2) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for two (2) years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the charter school's financial performance and well-being have changed over time.

Revenue Capacity (Not Applicable To Charter School)

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the district provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2008; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

PATERSON ARTS & SCIENCE CHARTER SCHOOL

Net Position by Component
(Accrual Basis of Accounting)
(Unaudited)
Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Governmental Activities		
Net Investment in Capital Assets	\$ 30,318	\$ (44,543)
Unassigned	171,230	233,566
Total Governmental Activities Net Position	<u>\$ 201,548</u>	<u>\$ 189,023</u>
Business-Type Activities		
Unassigned	\$ 64,228	\$ 34,644
Total Business-Type Activities Net Position	<u>\$ 64,228</u>	<u>\$ 34,644</u>
Charter School-wide		
Net Investment in Capital Assets	\$ 30,318	\$ (44,543)
Unassigned	235,458	268,210
Total Charter School Net Position	<u>\$ 265,776</u>	<u>\$ 223,667</u>

Source: Comprehensive Annual Financial Report

PATERSON ARTS & SCIENCE CHARTER SCHOOL

Changes in Net Position
(Accrual Basis of Accounting)
(Unaudited)
Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Expenses		
Governmental Activities:		
Instruction	\$ 2,426,866	\$ 1,949,067
Administration	1,465,342	889,144
Support Services	2,058,874	1,153,921
Capital Outlay	17,521	195,859
Total Governmental Activities Expenses	<u>5,968,603</u>	<u>4,187,991</u>
Business-Type Activities:		
Food Service and Before & After School Care	255,499	141,339
Total Business-Type Activities Expenses	<u>255,499</u>	<u>141,339</u>
Total Charter School Expenses	<u>\$ 6,224,102</u>	<u>\$ 4,329,330</u>
Business-Type Activities:		
Charges for Services	63,351	90,856
Operating Grants and Contributions	221,417	85,127
Total Business-Type Activities Expenses	<u>284,768</u>	<u>175,983</u>
Total Charter School Program Revenues	<u>\$ 284,768</u>	<u>\$ 175,983</u>
Net (Expense)/Revenue		
Governmental Activities	\$ (5,968,603)	\$ (4,187,991)
Business-Type Activities	29,269	34,644
Total Charter School-wide Net Expense	<u>\$ (5,939,334)</u>	<u>\$ (4,153,347)</u>
General Revenues and Other Changes in Net Position		
Governmental Activities:		
Federal and State Aid Not Restricted	\$ 5,339,419	\$ 3,910,088
Tuition	600	
Miscellaneous Income	641,109	466,926
Total Governmental Activities	<u>5,981,128</u>	<u>4,377,014</u>
Total Charter School-wide	<u>\$ 5,981,128</u>	<u>\$ 4,377,014</u>
Change in Net Position		
Governmental Activities	\$ 12,525	\$ 189,023
Business-Type Activities	29,269	34,644
Total Charter School	<u>\$ 41,794</u>	<u>\$ 223,667</u>

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Fund Balances - Governmental Funds
(Modified Accrual Basis of Accounting)
(Unaudited)
Last Two Fiscal Years

	Fiscal Year Ending June 30,	
	2015	2014
General Fund		
Restricted	\$ 9,565	\$ 11,750
Unassigned	161,665	140,154
Total General Fund	\$ 171,230	\$ 151,904

Source: Comprehensive Annual Financial Report

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
(Modified Accrual Basis of Accounting)
 (Unaudited)
Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Revenues:		
Local Sources:		
Local Tax Levy	\$ 634,639	\$ 450,698
Tuition	600	
Miscellaneous	6,470	16,228
State Sources	5,010,157	3,746,721
Federal Sources	329,262	163,367
Total Revenues	<u>5,981,128</u>	<u>4,377,014</u>
Expenditures:		
Instruction	2,291,167	1,752,828
Administration	1,546,796	1,169,805
Support Services	2,103,839	1,107,618
Capital Outlay	20,000	194,859
Total Expenditures	<u>5,961,802</u>	<u>4,225,110</u>
Net Change in Fund Balance	<u>\$ 19,326</u>	<u>\$ 151,904</u>

Source: Comprehensive Annual Financial Report

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
(Modified Accrual Basis of Accounting)
 (Unaudited)
Last Two Fiscal Years

Fiscal Year Ending June 30,	Donations	Tuition	Miscellaneous Revenue	Annual Total
2015	\$ 1,200	\$ 600	\$ 5,270	\$ 7,070
2014	330		15,898	16,228

Source: Charter School records

OPERATING INFORMATION

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Full-Time Equivalent Charter School Employees by Function
(Unaudited)
Last Two Fiscal Years

Function	2015	2014
Instruction	33	22
Administrative	4	3
Support Services	29	14
Total	<u>66</u>	<u>39</u>

Source: Charter School Personnel Records

PATERSON ARTS & SCIENCE CHARTER SCHOOL

Operating Statistics
(Unaudited)
Last Two Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2015	415	\$ 5,941,802	\$ 14,318	17.23%	33	13:1	396	396	18.94%	100.00%
2014	330	4,030,251	\$ 12,213	0.00%	22	15:1	321	321	0.00%	100.00%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 School Building Information
 (Unaudited)
Last Two Fiscal Years

	2015	2014
<u>Charter School Building</u>		
<u>Elementary</u>		
Square Feet	23,963	23,963
Capacity (students)	420	330
Enrollment	415	330

Number of Schools at June 30, 2015
 Elementary/Middle School = 1 (Grades K-6)

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of additions.
 Enrollment is based on the annual October Charter School count.



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund
Package Policy Declarations

Policy Number: P993AF

Premium: \$14,730.02

Named Insured:
Paterson Arts & Science Charter School
465 Boulevard
Elmwood Park, NJ 07407

Agent:
G.R. Murray
707 State Road
P.O. Box 83
Princeton, NJ 08542

Policy Term: 09/03/2014 to 07/01/2015 12:01 AM Eastern Standard Time

Article I - Property

Real and Personal Property	\$350,000,000 per occurrence NJSIG Limit
Extra Expense	\$50,000,000 per occurrence NJSIG Limit
Valuable Papers and Records	\$10,000,000 per occurrence NJSIG Limit
Demolition and Increased Cost of Construction	10,000,000 per occurrence NJSIG Limit
Loss of Rents	Not Covered
Loss of Business Income/Tuition	1,000,000.00
Builders' Risk	Not Covered
Fire Department Service Charge	10,000 per occurrence
Arson Reward	10,000 per occurrence
Pollutant Cleanup and Removal	250,000 per occurrence
Fine Arts	Not Covered
Sublimits: Special Flood Hazard Area Flood Zones	15,000,000 per occurrence/ NJSIG annual aggregate
Accounts Receivable	\$250,000 per occurrence
All Flood Zones	\$75,000,000 per occurrence /NJSIG annual aggregate
Earthquake	\$50,000,000 per occurrence /NJSIG annual aggregate
Terrorism	\$1,000,000 per occurrence /NJSIG annual aggregate
Deductibles:	
Real & Personal	\$1,000 per occurrence
Extra Expense	\$1,000 per occurrence
Valuable Papers	\$1,000 per occurrence
Special Flood Hazard Area Flood Deductibles:	\$500,000 per building
	\$500,000 per building contents
All Other Flood Zones Flood Deductible:	\$10,000 per member/per occurrence



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund
Package Policy Declarations

Policy Number: P993AF

Article II - Electronic Data Processing

Hardware/Software		\$250,000 per occurrence
Extra Expense		Included
Coverage Extensions:	Transit	\$25,000
	Loss of Income	\$10,000
	Terrorism	Included in Property
Deductible:		\$1,000 per occurrence
Special Flood Hazard Area Flood Deductible:		\$500,000 per building contents
All Other Flood Zones Flood Deductible:		\$10,000 per member/per occurrence

Article III - Equipment Breakdown

Combined Single Limit per Accident for Property Damage and Business Income		\$100,000,000
SubLimits:	Property Damage	Included
	Off Premises Property Damage	\$100,000
	Business Income	Included
	Extra Expense	\$10,000,000
	Service Interruption	\$10,000,000
	Perishable Goods	\$500,000
	Data Restoration	\$100,000
	Contingent Business Income	\$100,000
	Demolition	\$1,000,000
	Ordinance or Law	\$1,000,000
	Expediting Expenses	\$500,000
	Hazardous Substances	\$500,000
	Newly Acquired Locations (120 days notice)	\$250,000
	Terrorism	Included

Deductibles: Not per Accident for Property Damage
Covered
12 Hours for Indirect Coverages
Service Interruption Waiting Period 24 Hours



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund
Package Policy Declarations

Policy Number: P993AF

Article IV - Crime

Insuring Agreements	Limits	Deductibles
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$250,000	\$1,000
Insuring Agreement 2 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$50,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfelt Paper Currency	\$50,000	\$500
Insuring Agreement 4 - Forgery or Alteration	\$250,000	\$1,000
Insuring Agreement 5 - Computer Fraud	\$250,000	\$1,000
Public Officials Bond:		
Business Administrator	\$150,000	\$1,000
Treasurer	\$150,000	\$1,000

Article V - Comprehensive General Liability

Bodily Injury and Property Damage	\$16,000,000 per occurrence
Products and Completed Operations	\$16,000,000 annual aggregate
Sexual Abuse	\$16,000,000 per occurrence \$17,000,000 annual NJSIG aggregate
Personal Injury and Advertising Injury	\$16,000,000 per occurrence/annual aggregate
Employee Benefits Liability	\$16,000,000 per occurrence/annual aggregate
Employee Benefits Liability Deductible	\$1,000 each claim
Premises Medical Payments	\$10,000 per accident \$5,000 limit per person
Terrorism	\$1,000,000 per occurrence/annual NJSIG aggregate



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund
Package Policy Declarations

Policy Number: P993AF

Article VI - Automobile

Liability

Symbol 8&9	Hired / Non-owned	
	Bodily Injury and Property Damage	\$16,000,000 per accident
Symbol 6	Uninsured/Underinsured Motorists - Private Passenger Auto	Not Covered Per Accident
Symbol 6	Uninsured/Underinsured Motorists - All Other Vehicles	Not Covered Bodily Injury Per Person
		Not Covered Bodily Injury Per Accident
		Not Covered Property Damage Per Accident
Symbol 5	Personal Injury Protection (including pedestrians)	Not Covered
	Medical Payments	Not Covered private passenger vehicles
		Not Covered all other vehicles
Terrorism		\$1,000,000 per occurrence/annual NJSIG aggregate

Deductible

N/A

Physical Damage (Scheduled vehicles only)

Symbol 7	Comprehensive	Not Covered
	Collision	Not Covered
	Hired Car Physical Damage \$110,000 Limit	Not Covered
	Replacement Cost	Not Covered
Garage Keepers		Not Covered



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund
Package Policy Declarations

Policy Number: P993AF

Applicable Policy Forms

NJSIG-P1 (7/14); NJSIG-PJLA (7/02); NJSIG-PPCA (7/14); NJSIG-PLR (7/05); NJSIG-DICC (7/02); NJSIG-P2 (7/13);
NJSIG-BI (7/13); NJSIG-PGYM (07/08); NJSIG-CPKG (07/11); NJSIG EDE (7/14)

NJSIG CSE (7/14)

NJSIG-EDP (7/14)

NJSIG-B1 (7/05); NJSIG-B2 (7/00)

NJSIG-CR1000 (7/06); NJSIG-CR8802 (7/00); NJSIG-CR8804 (7/14); NJSIG-CR0016 (7/00); NJSIG-CR1002
(7/00); NJSIG-CR1044 (7/09); NJSIG-CR1048 (7/00); NJSIG-CR0004 (7/03); NJSIG-CR0003 (7/00);
NJSIG-CR0007(7/03); NJSIG-CBND1 (07/11)

NJSIG-G0 (7/11); NJSIG-G1 (7/13); NJSIG-G2 (7/14); NJSIG-G3 (7/13); NJSIG-G4 (7/09); NJSIG-GMP1 (7/12);

NJSIG-A1 (7/13); NJSIG-A2 (7/10); NJSIG-A3 (7/00); NJSIG-A4 (7/11); NJSIG-A5 (7/00); NJSIG-AGK1 (7/00);
NJSIG-A6 (7/11); NJSIG-A7 (7/13); NJSIG-A8 (7/07)

In witness whereof, the New Jersey Schools Insurance Group
has caused this agreement to be signed by its Director.

A handwritten signature in black ink that reads "Martin Kalbach". The signature is written in a cursive style with a horizontal line underneath it.

Martin Kalbach
NJSIG Executive Director



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund
School Leaders Errors & Omissions Liability Policy Declarations

Policy Number: E993AF

Premium: \$8,337.92

Named Insured:

Paterson Arts & Science Charter School
465 Boulevard
Elmwood Park, NJ 07407

Agent:

G.R. Murray
707 State Road
P.O. Box 83
Princeton, NJ 08542

Policy Term: September 3, 2014 to July 1, 2015 12:01 AM Eastern Standard Time

Coverage A

Limit of Liability
Deductible

\$16,000,000 each policy period
\$5,000 each claim

Coverage B

Limit of Liability
Deductible

\$100,000 each claim
\$300,000 each policy period
\$5,000 each claim

This is a claims-made and reported policy. By acceptance of this policy, the Insured agrees that the statements in the Declarations and the application and any attachments hereto are the Insured's agreements and representations and that this policy embodies all agreements existing between the Insured and the Company or any of its agents relating to this insurance.

Retroactive Dates for Coverages A & B

It is agreed that notwithstanding any provision of the policy to the contrary, this policy does not apply, as respects Coverages A & B, to claims made against the Insured arising out of a single act, error, omission, misstatement or misleading statement which occurred prior to:

Retro Date for Coverage A July 1, 1986
Retro Date for Coverage B July 1, 1986

Policy Forms: NJSIG-E1 (7/13), NJSIG-E2 (7/13)

In witness whereof, the New Jersey Schools Insurance Group has caused this agreement to be signed by its Director.

Martin Kalbach
NJSIG Executive Director



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund

Workers' Compensation and Employers' Liability Declarations Page

Policy Number: W993AF **Premium:** \$19,953.41

Named Insured:
Paterson Arts & Science Charter School
465 Boulevard
Elmwood Park, NJ 07407

Agent:
G.R. Murray
707 State Road
P.O. Box 83
Princeton, NJ 08542

Policy Term: 09/03/2014 to 07/01/2015 12:01 AM Eastern Standard Time

Estimated Professional & Clerical Payroll	\$1,585,400.00
Estimated Non-Professional Payroll	\$155,000.00
Experience Modifier	1.0000
NJSIG Discount	0.5160

The limits of our liability under Part II, Employers' Liability Agreement are:

Bodily Injury by Accident	\$2,000,000 each accident
Bodily Injury by Disease	\$2,000,000 each employee
Bodily Injury by Disease	\$2,000,000 aggregate limit

Policy Forms: NJSIG-W1 (7/03); NJSIG-W2 (7/03)

In witness whereof, the New Jersey Schools Insurance Group has caused this agreement to be signed by its Director.

Martin Kalbach
NJSIG Executive Director



New Jersey Schools Insurance Group
North Jersey Educational Insurance Fund
Schedule of Properties

Named Insured: Paterson Arts & Science Charter School
Policy No.: 993AF-01
Policy Period: 09/03/2014 to 07/01/2015

EDP Value: \$250,000
Fine Arts Value: \$0
Business Income Value: \$2,000,000
Loss of Rents Value:
Extra Expense Value (Pool OCC Limit):
Valuable Papers Value (Pool OCC Limit):

Site #	Site Name	Address	Flood Zone	Territory	Protection Class	Square Feet	Effective Date	Building Value	Builders Risk Value	Total Insured Value
Bldg #	Description			Valuation Basis	Construction Type	Year Built	Expiration Date	Contents Value	Misc Prop Value	
1	Charter school	764-804 11th Avenue		Inland		102947	09/03/2014	\$0		\$300,000
1	Charter School	Paterson, NJ 07514		Replacement Cost	Cinderblock	1967	07/01/2015	\$300,000		
Policy Totals								\$0	\$0	\$300,000
								\$300,000	\$0	

*The Undersigned acknowledges that Environmental Coverage is SITE SPECIFIC and that in order for Environmental Coverage to apply, all locations listed on this Schedule of Properties must reflect the complete legal address of the property, including Street Number, City and Zip Code.

Authorized Signature (Board Secretary/Business Administrator)

Date

	New Jersey Schools Insurance Group North Jersey Educational Insurance Fund General Change Endorsement
---	--

Policy Number: P993AF-01

Premium: \$759.99

Named Insured:

Paterson Arts & Science Charter School
465 Boulevard
Elmwood Park, NJ 07407

Agent:

G.R. Murray
707 State Road
P.O. Box 83
Princeton, NJ 08542

Policy Term: September 3, 2014 to July 1, 2015 12:01 AM Eastern Standard Time

It is hereby agreed and understood that the policy is amended as follows

The Loss of Business Income has been increased from \$1,000,000 to \$2,000,000.

Effective Date: 09/03/2014

Endorsement No.: 2

Date Issued: 09/18/2014

In witness whereof, the New Jersey Schools Insurance Group has caused this agreement to be signed by its Director.



Martin Kalbach
NJSIG Executive Director

New Jersey Schools Insurance Group

Public Official Bond

Number P993AF

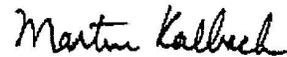
Know all men by these present that we, Nilda Pardo of 14 Wonham Street, Clifton, NJ 07013, in the state of New Jersey as principal and the New Jersey Schools Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Arts & Science Charter School in the State of New Jersey, in the penal sum of \$150,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Treasurer. The term for this bond begins September 3, 2014 and ends July 1, 2015, and is required to furnish the bond for the faithful performance of the duties of said position.

Now, therefore the conditions of this obligation are such that if the above bounden Principal shall (except as hereafter provided) faithfully perform the duties of his/her position during the said term, and shall pay over to the persons authorized by law to receive the same, all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in the case of his/her resignation or removal from his/her position shall turn over to his/her successors all records and property which have come into his/her hands, then this obligation shall be null and void.

Provided, however, that the above named Surety shall not be liable hereunder for any loss of public funds resulting from the insolvency of any bank or banks in which said funds are deposited, and if this provision shall be held void, this entire bond shall be void.

And provided further, that the Surety may cancel this bond at any time during the said term by giving to the Obligee a written notice of its desire to so cancel and at the expiration of thirty (30) days from the receipt of such notice by the Obligee the Surety shall be completely released as to all liability thereafter accruing. If this provision shall be held void, this entire bond shall be void.



Martin Kalbach, NJSIG Executive Director

NJSBAIG-CBND1 (07/11)

New Jersey Schools Insurance Group

Public Official Bond

Number P993AF

Know all men by these present that we, Christopher Lessard of 127 Hartman Hill Road, Milford, PA 18337, in the state of New Jersey as principal and the New Jersey Schools Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Arts & Science Charter School in the State of New Jersey, in the penal sum of \$150,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Business Administrator. The term for this bond begins September 3, 2014 and ends July 1, 2015, and is required to furnish the bond for the faithful performance of the duties of said position.

Now, therefore the conditions of this obligation are such that if the above bounden Principal shall (except as hereafter provided) faithfully perform the duties of his/her position during the said term, and shall pay over to the persons authorized by law to receive the same, all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in the case of his/her resignation or removal from his/her position shall turn over to his/her successors all records and property which have come into his/her hands, then this obligation shall be null and void.

Provided, however, that the above named Surety shall not be liable hereunder for any loss of public funds resulting from the insolvency of any bank or banks in which said funds are deposited, and if this provision shall be held void, this entire bond shall be void.

And provided further, that the Surety may cancel this bond at any time during the said term by giving to the Obligea a written notice of its desire to so cancel and at the expiration of thirty (30) days from the receipt of such notice by the Obligea the Surety shall be completely released as to all liability thereafter accruing. If this provision shall be held void, this entire bond shall be void.



Martin Kalbach, NJSIG Executive Director

NJSBAIG-CBND1 (07/11)

PATERSON ARTS & SCIENCE CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Near Term Indicators
 Last Two Fiscal Years

	2014 Audit	2015 Audit	Source
Cash	\$ 196,440	\$ 251,855	Audit: Exhibit A-1
Current Assets	383,038	645,170	Audit: Exhibit A-1
Total Assets	383,038	645,170	Audit: Exhibit A-1
Current Liabilities	159,371	379,394	Audit: Exhibit A-1
Total Liabilities	159,371	379,394	Audit: Exhibit A-1
Net Assets	223,667	265,776	Audit: Exhibit A-1
Total Revenue	4,377,014	6,265,896	Audit: Exhibit A-2
Total Expenses	4,153,347	6,224,102	Audit: Exhibit A-2
Change in Net Assets	223,667	41,794	Audit: Exhibit A-2
Depreciation Expense	7,424	9,280	Financial Statements/Audit Workpapers
Interest Expense	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	321.20	396.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	360.00	384.00	Charter School Budget

RATIOS ANALYSIS . . .			
Near Term Indicators	2014	2015	3 YR CUM
1a. Current Ratio	2.40	1.70	Source: Current Assets/Current Liabilities
1b. Unrestricted Days Cash	17.26	14.77	Cash/(Total Expenses/365)
1c. Enrollment Variance	89%	103%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	Audit

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No

Refer questions to

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with “Government Auditing Standards”

Honorable President and
Members of the Board of Trustees
Paterson Arts & Science Charter School
465 Boulevard
County of Passaic
Elmwood Park, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paterson Arts & Science Charter School (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements as listed in the Table of Contents, and have issued our report thereon dated December 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

December 9, 2015

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

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Independent Auditor’s Report on Compliance for Each Major Federal and State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance Required by OMB Circular A-133 and New Jersey OMB Circular 04-04

Honorable President and
Members of the Board of Trustees
Paterson Arts & Science Charter School
465 Boulevard
County of Passaic
Elmwood Park, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Paterson Arts & Science Charter School’s compliance with the types of compliance requirements described in the “U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement” and the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2015. The Paterson Arts & Science Charter School’s major federal and state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

The Charter School’s management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations” and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey OMB’s Circular 04-04 require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Charter School's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Paterson Arts & Science Charter School, in the County of Passaic, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Paterson Arts & Science Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than

a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

December 9, 2015

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2014	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2015 Deferred Revenue	Due to Grantor
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84.010A	NCLB - 6096 - 15	\$ 289,363	7/1/14	6/30/15	\$ -	\$ -	\$ 179,411	\$ (259,698)	\$ -	\$ -	\$ (80,187)	\$ -	\$ -
Title I Part A Carryover	84.010A	NCLB - 6096 - 14	112,420	7/1/13	6/30/14	(2,333)	(2,333)	179,411	(7,330)	-	-	(8,663)	-	-
Total No Child Left Behind Cluster						(2,333)			(266,968)			(88,850)		
Individuals with Disabilities Cluster:														
I.D.E.A. Part B Basic	84.027	IDEA - 6096 - 15	63,388	7/1/14	6/30/15	-	-	38,165	(62,334)	-	-	(24,169)	-	-
Total Individuals with Disabilities Cluster						-	-	38,165	(62,334)	-	-	(24,169)	-	-
Total Special Revenue Fund						(2,333)		217,576	(329,262)			(114,019)		
U.S. Department of Agriculture														
Passed-through State Department of Agriculture														
Enterprise Fund:														
School Breakfast Program	10.553	N/A	25,239	7/1/14	6/30/15			21,154	(25,239)			(4,085)		
School Breakfast Program	10.553	N/A	14,572	7/1/13	6/30/14	(3,910)		3,910						
National School Lunch Program	10.555	N/A	171,777	7/1/14	6/30/15			143,819	(171,777)			(27,958)		
National School Lunch Program	10.555	N/A	88,536	7/1/13	6/30/14	(23,883)		23,883						
Child Care Food Program	10.558	N/A	21,246	7/1/14	6/30/15			19,083	(21,246)			(2,163)		
Child Care Food Program	10.558	N/A	9,607	7/1/13	6/30/14	(2,288)		2,288						
Total Enterprise Fund						(30,081)		214,137	(218,262)			(34,206)		
Sub-Total Federal Financial Awards						(32,414)		431,713	(547,524)			(148,225)		

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Activity Amount	Grant Period		Balance at June 30, 2014		Carryover (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Payment of Prior Year's Balance	Balance at June 30, 2015		MEMO
			From	To	Deferred Revenue (Accounts Receivable)	Deferred Interest Payable					(Accounts Receivable)	Due to Grantor	
State Department of Education													
General Fund:													
"Local Levy" State Share - Charter School Aid	15-495-034-5120-071	\$ 4,647,537	7/1/14	6/30/15	\$ -	\$ -	\$ 4,647,537	\$ (4,647,537)	\$ -	\$ -	\$ -	\$ -	\$ 4,647,537
Special Education Aid	15-495-034-5120-069	75,525	7/1/14	6/30/15	-	-	75,525	(75,525)	-	-	-	-	75,525
Security Aid	15-495-034-5120-064	178,530	7/1/14	6/30/15	-	-	178,530	(178,530)	-	-	-	-	178,530
Reimbursed TPAF - Social Security	15-495-034-5094-003	108,565	7/1/14	6/30/15	(19,176)	-	90,158	(108,565)	(18,407)	-	-	18,407	108,565
Reimbursed TPAF - Social Security	14-495-034-5095-002	72,808	7/1/13	6/30/14	-	-	19,176	-	-	-	-	-	-
Total General Fund					(19,176)	-	5,010,926	(5,010,157)	(18,407)	-	-	18,407	5,010,157
State Department of Agriculture													
Enterprise Fund:													
National School Lunch Program (State Share)	15-100-010-3350-023	3,156	7/1/14	6/30/15	(605)	-	2,615	(3,156)	(541)	-	-	541	3,156
National School Lunch Program (State Share)	14-100-010-3350-023	2,116	7/1/13	6/30/14	-	-	605	-	-	-	-	-	-
Total Enterprise Fund					(605)	-	3,220	(3,156)	(541)	-	-	541	3,156
Total State Financial Assistance					(19,781)	\$ -	\$ 5,014,146	\$ (5,013,313)	\$ (18,948)	\$ -	\$ -	\$ 18,948	\$ 5,013,313

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2015

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Paterson Arts & Science Charter School. The Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2015

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 5,010,157	\$ 5,010,157
Special Revenue Fund	329,262		329,262
Food Service Fund	218,261	3,156	221,417
Total Awards & Financial Assistance	<u>\$ 547,523</u>	<u>\$ 5,013,313</u>	<u>\$ 5,560,836</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Paterson Arts & Science Charter School has no loan balances outstanding at June 30, 2015.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2015

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 259,598
Total	\$ 259,598

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ None Reported <u> X </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ None Reported <u> X </u>
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	_____ Yes	<u> X </u> No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
	No Child Left Behind Cluster:
_____ 84.010A _____	_____ Title I Part A _____
_____ 84.010A _____	_____ Title I Part A Carryover _____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I – Summary of Auditor’s Results (Continued)

State Awards

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Internal control over major programs:

 1) Material weakness(es) identified? _____ Yes X No

 2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04? _____ Yes X No

Identification of major state programs:

GMIS Number(s)	Name of State Program
15-495-034-5120-071	Local Levy – State Share

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

Findings

There were no matters reported.

***Section III – Federal and State Financial Assistance
Findings and Questioned Costs***

This section identifies audit findings required to be reported by section .510(a) of OMB Circular A-133 and New Jersey OMB Circular 04-04.

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

PATERSON ARTS & SCIENCE CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings and
Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2015

STATUS OF PRIOR-YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

Findings

There were no matters reported.